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Executive Summary

The purpose of the following report is to produce a business plan for a local internet coffee house Coffee.Net. The report contains:

- Mission statement
- Objectives
- Key's to success
- Risks
- Company summary
- Proposed menu's
- Market analysis
- Industry analysis
- Financial plans

6.0 Introduction

Coffee.NET unlike any local café will be a internet coffee house for the local Llanelli community, where students, town business workers, and tourists can enjoy a relaxing, upscale environment to enjoy coffee, refreshments, snacks and browse the internet. The café will allow internet access at cost which the community can afford with an atmosphere which will spawn socialisation.

1.1 Mission Statement

The primary goal is to produce a coffee house of choice in the Llanelli town centre community. As the popularity of the internet continues to grow the aim of the café is to provide a relaxing, upscale environment with affordable, easy to access and quick access to the internet, along with enjoying a coffee, refreshment or snack. People from all backgrounds will enjoy the unique atmosphere which Coffee.Net will provide.

1.2 Objectives

Coffee.Net's objectives for the first three years of operation would be:

- Create a unique, upscale environment which will differentiate Coffee.NET from other local café's.
- Provide affordable, easy to access and quick access to the internet
- Good selection of coffee at reasonable affordable prices
- Good selection of refreshments at affordable prices
- Good selection of Snacks at affordable prices

1.3 Key's To Success

The key's to success for Coffee.NET will be:

- Create a unique relaxing interior design to produce a relaxing atmosphere to differentiate from local competitors
- Selection of a prime site where the towns working population is greater
- Good aggressive marketing strategy
- Multiply revenue streams:
 - Coffee
 - Refreshments
 - Snacks
 - Pastries
 - Tea
 - Juice
 - Gift cards
- Staff with good customer service skills
- Provide affordable, easy to access and quick access to the internet

1.4 Risks

The possible risks involved with the start up of Coffee.Net are:

- Will individuals be willing to pay for internet access services?
- Will the popularity of the internet continue to grow?
- Will there be a demand for the services offered by Coffee.Net?
- Will there be a need for a new café within the local community?

2.0 Company Summary

Coffee.Net will soon be located in the Llanelli town centre retail park. The café will offer the local community a relaxing, upscale environment to enjoy coffee, refreshments, snacks and browse the internet. Coffee.Net will provide full internet access to the following:

- E-mail
- World Wide Web
- FTP
- Usenet
- Telnet

Coffee.Net will be aimed at and will appeal to the local communities students, town business workers, and tourists of all backgrounds and ages. The internet café will offer internet classes, which the staff will provide, which will draw audiences which do not associate with the computer age, such as the elderly and youngsters. The café will also provide the ideal location for the business workers who can access their coffee, snacks or refreshments along with their online needs outside the office.

2.1 Company Ownership / Management

Coffee.Net will be funded and owned by Owen Llanelli LTD Owner Mr Eirioff Owen who owns a local very successful distribution company, and will be operated by Mr Daniel Price a degree student, with 5 years previous management experience within retail. A full C.V is available in appendix A.

2.2 Start-up Summary

The Coffee.Net start up costs will cover all equipment required for the customer's online activities, snacks and refreshments equipment, coffee making equipment, renovation and modifications, and also capital to cover losses in the first year. The online equipment necessary for the customer's online activities, such as high speed connections to internet services will take a large portion of the start up costs. A printer and a scanner will also be included within the online equipment costs.

In addition to the online equipment, costs will be allocated for the purchasing of snacks / refreshments equipment, and coffee making equipment. These will include:

- Milk Coolers
- Service/Prep Counter
- Ice Machine
- Large Refrigerator
- Under counter Refrigerators
- Preparation equipment
- Dishwasher
- Blenders
- Microwave
- Panini maker
- Music system
- Storage racks
- Food display case
- Bulk bean grinder
- Cups/Lids

The new site will require a renovation. An estimation from a local contractor will be allocated for this purpose. These costs will include all aspects in the preparation of the opening of the business.

2.3 Company Locations and Facilities

A site has been chosen at the new development centre at the Llanelli town centre 12-14 Park street. This site was selected for various reasons, including:

- Prime location to the business community
- Prime location next to proposed, upscale shops
- Prime location to local bus depot
- Prime location next to multiple car parks.

All of these qualities are consistent with the companies objectives to become the centralised coffee house of choice in the Llanelli town centre community.

Here is a map of where the site would be situated (highlighted in red):

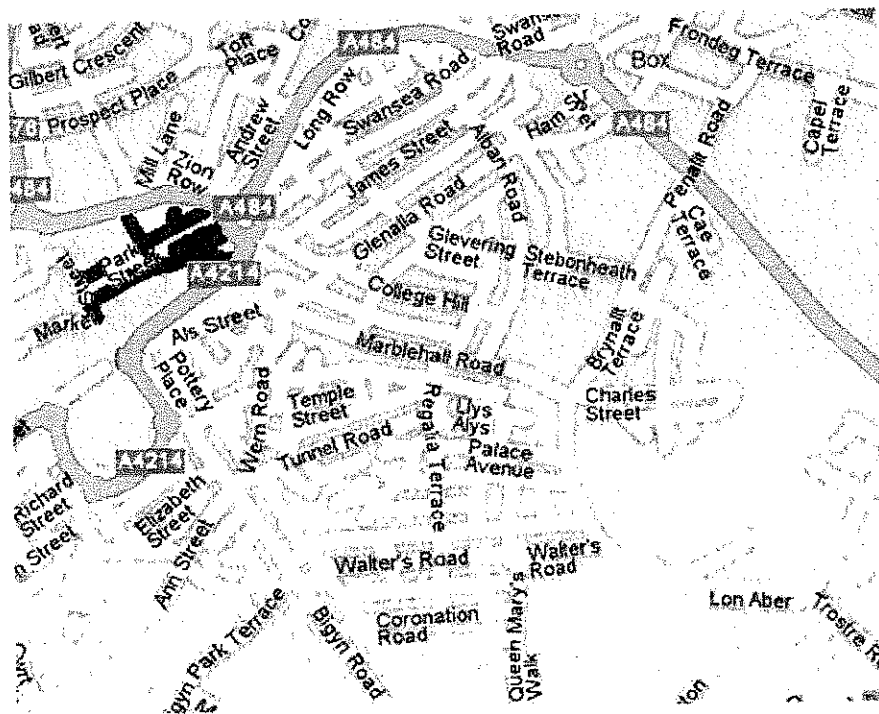


Figure 1: Location map: Llanelli town centre, 12-14 Park Street[1]

2.4 Service Description

Coffee.Net will provide full access to the internet along with all commonly used software packages, along with commonly used hardware. The services provided by the company are:

- External access to e-mail accounts
- Customers can have the option to sign up to Coffee.Net's email account services.
- FTP, Telnet and all other internet utilities will be made available.
- Access to internet browser
- Access to scanners and laser printers

Coffee.Net will also provide an enjoying, relaxing, upscale environment to enjoy coffee, refreshments, snacks in a comfortable environment along with their computer needs.

2.5 Competitive Comparison

Coffee.Net will be the first Internet coffee house of its kind in Llanelli. Coffee.Net will have a differentiation strategy in place to differentiate itself from the local coffee cafes in the Llanelli town centre by providing a unique interior design to produce a relaxing atmosphere, and by providing quick access internet and computer needs, at affordable prices.

2.6 Products

Coffee.Net will retail a variety of high quality upscale coffee beverages, teas, juices, water, soft drinks, pastries and snacks, at competitive prices.

3.0 Coffee.Net Proposed Menu

Coffee.Net's menu will differentiate itself from the local coffee cafes in the Llanelli town centre by providing a variety of upscale products at competitive prices giving us the competitive edge. The menu will offer a variety of coffees and teas, along with soft drinks, smoothies and juices, each with several options within the groups. This will benefit us as we would offer a wider variety than the local competitors. All prices have been determined through an analysis of all individual unit costs which is available later on within the business plan. The menu prices have been "round priced" to help prevent confusing the customer.

Proposed Espresso Menu:

Item	Item Description	Small	Large
Espresso	A double shot of straight espresso.	£1	£.150
Caffe Americano	Espresso combined with hot water, a gourmet brewed coffee.	£1	£.150
Cappuccino	Espresso with a smooth topping of milk foam.	£1	£.150
Caffe Latte	Espresso combined with steamed milk, topped with a small amount of velvety milk foam.	£1	£.150
Caffe Mocha	A Caffe Latte combined with Ghirardelli chocolate, topped with whipped cream and chocolate shavings.	£1	£.150
Espresso Macchiato	A straight shot of espresso topped with a spoonful of rich milk foam.	£1	£.150
Espresso Con Panna	A straight shot of espresso topped with a generous dollop of whipped cream.	£1	£.150
Espresso Latte Breve	Our famous latte made even more creamy with half and half.	£1	£.150
Espresso "Red Eye"	Espresso combined with our gourmet coffee of the day to get your day going.	£1	£.150

Figure 2: Espresso Menu[2]

Proposed flavoured coffee menu:

Item	Item Description	Small	Large
The Banana Nut Java	Coffee. Warm milk. Banana, macadamia nut and vanilla syrups. Topped with whipped cream and cinnamon dusting.	£1	£.150
The Cafe Milano	Coffee. Warm milk. Amaretto and vanilla syrups topped with whipped cream and almonds.	£1	£.150

Figure 3: Flavoured Coffee Menu[3]

Proposed flavoured espresso drinks:

Item	Item Description	Small	Large
Vanilla Cappuccino	Cappuccino made with vanilla flavoured milk foam.	£1	£.150
Vanilla Latte	A Café Latte with vanilla essence added.	£1	£.150
White Chocolate Latte	Espresso, white chocolate flavouring and steamed milk topped with velvety foam and white chocolate shavings.	£1	£.150
The 50/50 Latte	Espresso. Vanilla and orange syrups, steamed milk and whipped cream topping.	£1	£.150
The Raspberry Mocha Latte	Coffee. Raspberry and chocolate syrups. Half and half. Whipped cream topping.	£1	£.150
Chai Latte	Espresso. Chai. Steamed milk and whipped cream.	£1	£.150

Figure 4: Flavoured Espresso Menu[4]

Proposed hot drinks:

Item	Item Description	Small	Large
French Vanilla Cocoa	Hot cocoa with vanilla and whipped cream.	£1	£.150
White Chocolate Cocoa	Hot cocoa with white chocolate and whipped cream.	£1	£.150
Chocolate Truffle Cocoa	Rich dark hot cocoa with whipped cream topping.	£1	£.150
Holiday Spice Cocoa	Rich hot cocoa and holiday spices. Topped with whipped cream.	£1	£.150
Peppermint Cocoa	Rich chocolate and refreshing peppermint. Topped with whipped cream.	£1	£.150
Ovaltine	Ovaltine Chocolate Malt and milk.	£1	£.150

Figure 5: Hot Drinks Menu[5]

Proposed smoothie drinks :

Item	Item Description	Small	Large
The Espresso Chocolate Malt	A chocolate malt for grownups.	£1	£.150
The Double Dutch Chocolate Smoothie	Very chocolaty!	£1	£.150
The Mocha Smoothie	An all-time favourite.	£1	£.150
The Vanilla Smoothie	Rich natural vanilla flavour.	£1	£.150
50/50 Smoothie (Orange and Vanilla)	A 50's favourite.	£1	£.150

Figure 6: Smoothies Menu[6]

Proposed Tea Menu:

<u>Item</u>	<u>Item Description</u>	<u>Small</u>	<u>Large</u>
Earl Grey	Classic American/ British Iced Teas	£1	£.150
English Breakfast	Classic American/ British Iced Teas	£1	£.150
Peppermint	Classic American/ British Iced Teas	£1	£.150
Herb Apricot	Classic American/ British Iced Teas	£1	£.150
Earl Grey Lavender	Classic American/ British Iced Teas	£1	£.150
Darjeeling	Classic American/ British Iced Teas	£1	£.150
Formosa Oolong	Classic American/ British Iced Teas	£1	£.150
Golden Flowers Herbal	Classic American/ British Iced Teas	£1	£.150
Herbal Lemon	Classic American/ British Iced Teas	£1	£.150
Tropical Green	Classic American/ British Iced Teas	£1	£.150

Figure 7: Tea Menu[7]

Proposed Juices Menu:

<u>Item</u>	<u>Item Description</u>	<u>Price</u>
Fresh squeezed orange juice	Exclusively from Longhorn Orchards, Corpus Cristi, TX	50p
Old-fashioned Lemonade	Made fresh daily from Pleasant County lemons.	50p
Genesis Juice	Protein Boost, Green Machine, Mango and Guava.	50p
Apple Juice (regular and sparkling)	A British favourite.	50p
Tropical Juice	Caribbean Flavour	50p

Figure 8: Juices Menu[8]

Proposed Soft drinks menu:

Item	Item Description	Large
Coke		50p
Diet Coke		50p
Fanta		50p
Sprite		50p
Dr Pepper		50p

Figure 9: Soft Drink Menu[9]

Proposed Pastries & Snacks Menu:

Item	Price
Fresh Scones	£.150
Bagels	£.150
Croissants	£.150
Brownies	£.150
Blueberry Muffins	£.150
Cookies	£.150
Pasties	£.150
Sausage rolls	£.150

Figure 10: Pastries & Snacks Menu[10]

4.0 Market Analysis

Coffee.Net will be the first of its kind within the Llanelli community. With the constant popularity of coffee growing, combined with the even more popular internet, it has been proven to be a winning concept and will produce great results.

The UK's coffee market is set to double over the next ten year's, predicted by new market research.[11] Coffee chains at the moment occupy more than 3,000 outlet within the UK with a huge turnover of £1.3 billion. Allegra Strategies consultancy agency estimates the market has the potential to grow 15% in the next seven to ten year's to around 6,000 outlets and a massive £2.5 billion turnover. The coffee market has already moved from the larger city's into the urban areas, and smaller towns. A survey of more than 6,000 people conducted by Allegra Strategies uncovered that consumers are visiting coffee chains more frequently that ever. [12]

Consumption facts:

- In Britain £730 million was spent of coffee last year.
- A typical Britain consumes around 500g of coffee per year.
- Almost half of the coffee consumed in the UK is drunk in the South of the country.
- On average it is estimated that the average person consumes 1.5 cups of coffee a day.
- Instant coffee is accountable for 13% of all coffee consumed.
- 37% of coffee drinkers drink their coffee black; while 63% add a sweetener such as sugar.
- 57% of coffee is drunk at breakfast; 34% between meals and 13% at other meals.
- It is estimated that half the British population have a cup of coffee to start their days. [13]

4.1 Market Segmentation

The success of Coffee.Net will occur from several different factors which are:

- Year round tourist / local shopping activities
- Student population
- The excellent parking facilities and the local bus stop
- Prime site location
- Working business class within the site location.

Coffee.Net has all the right ingredients required for immediate success within the Llanelli community. Coffee.Net customer base within the Llanelli community consists of five target groups which are:

- The year round shopping tourists
- Local shoppers
- Students
- Travellers passing through
- Local Business people

All of these groups are potentially strong customer segments. The benefit of such a wide customer mix is that it helps maintain a constant business throughout the year. The summer months are strong for tourists and shoppers who would purchase the wide range of coffee's and refreshments available, while the student's population will decrease during these months so would the use of the computers. Travellers will account for a small number of the businesses customer mix and cannot be relied on for constant business, while the business people segment from the area will be constant throughout the year.

4.2 Industry Analysis

The coffee retail chains began in 1982 when Howard Schultz purchased the Starbucks name and began the expansion of the modern day's Starbucks chain. Coffee houses have existed since the early 1600's and the concept is almost 400 years old.[14] the modern internet coffee houses, have only been around for the last 10-15 years. The success of the Starbucks chain has encouraged many other coffee houses into this lucrative business. There are around 3,000 coffee houses in the UK, and only a small fraction of them provide internet services. Compared to the US there are around 13,000 well established coffee houses, therefore there is still a lot of growth to come in the UK's market. The "Specialty Coffee Retailers Association" believes the market has not approached maturity and, as yet, no coffee chain has differentiated itself significantly from the others.[15] From the graph provided below the UK is not presently the weakest for the coffee industry. It is easy to see that there is a significant room for growth in the consumption of the coffee market.

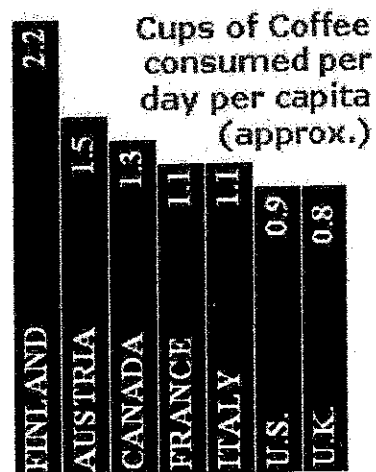


Figure 11: Industry analysis "Market growth graph" Cups Consumed per capita[16]

4.3 SWOT Analysis

The SWOT analysis gives the opportunity to examine the strengths, weaknesses, opportunities and threats which Coffee.Net must address. Below is an SWOT analysis table of Coffee.Net:

Strengths ➤ Knowledgeable and friendly staff ➤ State-of-the art equipment ➤ Up-scale Environment ➤ Clear vision of the market need ➤ Wide range of products ➤ Prime Location Site ➤ Unique first of it's kind within the community ➤ Providing affordable, easy and quick access to the internet ➤ Good selection of coffee, refreshments and snacks at affordable prices ➤ Differentiate from local competitors ➤ Good aggressive marketing strategy ➤ Multiple revenue streams	Weaknesses ➤ A dependence on quickly changing technology ➤ Cost factor associated with keeping state-of-the-art hardware
Opportunities ➤ Growing population of daily Internet users ➤ Social bonds fostered by the new Internet communities	Threats ➤ A dependence on quickly changing technology ➤ Cost factor associated with keeping state-of-the-art hardware ➤ Growing population of daily Internet users ➤ Social bonds fostered by the new Internet communities ➤ Rapidly falling cost of Internet access ➤ Emerging local competitors

4.4 Competitive Edge

To achieve competitive edge with the local community Coffee.Net will have a differentiation strategy in place by providing a wide range of coffee products and refreshments along with internet services. Competitive edge will also be achieved by:

- Providing a significantly higher quality coffee / tea / refreshment
- The prime location site
- Only internet coffee house within the local area
- Opening hours from 7 am to 10 pm giving a wide time range for customers.
- Open seven days a week

4.5 Marketing Strategy

Coffee.Net will engage in an aggressive marketing strategy to help establish the business and quickly attain profit and growth. The launch marketing to promote the business will include:

- Direct mail to local residents
- Local print media
- Broadcasts on the local radio stations
- First day sampling of products
- Coupons for free internet time in local media

5.0 Sales Strategy

Coffee.Net is estimating on average of around 300 customers per day during the first year of trade. With an average customer coffee spend of £1.25. Out of the 300 customer Coffee.Net estimates around half of these will purchase a pastry at £1.50, and around 75 customers will purchase a juice or refreshment at 50p. coffee.Net will have 15 operational computers which will be charged at £3 per hour. All coffee sales are based on the consumption figures produced by Allegra Strategies consultancy agency. And all internet sales are estimated by calculating the total number of hours each terminal will be used each day, and calculating how many hours will be purchased by customers. Coffee.Net expects growth to occur at all categories at around 10% per year.

5.1 Personnel

Coffee.Net will be trading 91 hours a week and will require 3 employees working around 30 hours a week at the national pay rate of £6 per hour. One full-time technician will also be required to maintain the computer side of the business the technician will also work 30 hours a week at a salary of £18,000 a year. Management costs will not come directly from the business expenses.

Personnel	Salary
Part-time staff 1	£ 9,360.00 per year
Part time staff 2	£ 9,360.00 per year
Part time staff 3	£ 9,360.00 per year
Technician	£18,000 per year

5.2 Start Up Costs Summary

Start – Up Requirements	Costs
Long Term Assets	
Under counter Refrigerators	£800.00
Service/Prep Counter	£500.00
Ice Machine	£250.00
Large Refrigerator	£350.00
Milk Coolers (3)	£750.00
Cash register (2) Point of Sale System	£2,000.00
Espresso Machine	£850.00
Coffee Brewer	£850.00
Counters/Condiment bar/shelving	£1,000.00
Computer Systems (x15)	£6,000.00
Printer	£100.00
Scanner	£50.00
Tables, Chairs, Furnishings	£5,000.00
Lighting Fixtures	£250.00
Total Long Term Assets	£18,750.00
Start-Up Expenses	
Renovation	
Site design	£2,000.00
Rent per year	£6,000.00
Electrical, Lighting	£500.00
Electrical, Other	£500.00
Flooring/installation	£1,000.00
Bathroom Construction	£1,000.00
Plumbing	£1,000.00
City permits/licenses/fees	£2,000.00
Painting	£500.00
Fireplace Construction	£700.00
Total Renovation Costs	£15,200.00
Legal	
Accounting	£2,000.00
Insurance	£4,000.00
Legal	£2,000.00
Total Legal Costs	£8,000.00

Marketing	
Advertising	
Menu boards	£1,000.00
Outside Signage	£500.00
Brochures	£500.00
Local Radio Station Advertising	£250.00
	£250.00
Total Marketing	£2,500.00
OFFICE	
Office equipment	£500.00
Stationery	£100.00
Telephones/Fax/DSL	£200.00
Computer, scanner, printer	£600.00
Total Office Supplies	£1,400.00
Appliances	
Preparation equipment	£250.00
Dishwasher	£300.00
Blenders	£100.00
Microwave	£80.00
Panini maker	£80.00
Storage racks	£100.00
Music system	£100.00
Food display case	£250.00
Storage room shelving	£100.00
Bulk bean grinder	£350.00
Cups/Lids	£500.00
Sinks / prep counters	£850.00
Menu board	£350.00
Total Appliances	£3,410.00
Total Start-up Expenses	£49,260.00
Start Up Assets	
Petty Cash	£500.00
Start Up Stock	£5000.00
Total Start Up Requirements	£54,760.00

6.0 Financial Plan

Sales are estimated from the market and industry research figures provided by Allegra Strategies consultancy agency and all internet sales are estimated by calculating the total number of hours each terminal will be used each day, and calculating how many hours will be purchased by customers.

Start up Costs: all the start up costs include, long term assets, renovation, legal, marketing, office, appliances, petty cash, start up stock expenses. The total start up costs are: £54,760.00.

Salary Expenses: direct management expenses will be covered by the owner of Coffee.Net Mr Eirioff Owen and will not come directly from the business. Coffee.Net will employ 3 employees working around 30 hours a week at the national pay rate of £6 per hour this works out at £ 9,360.00 per year. One full-time technician will also be required to maintain the computer side of the business the technician will also work 30 hours a week at a salary of £18,000 a year. Total salary expenses are £46,080.00 per year.

Rent Expenses / Utility Bills: Coffee.Net will be leasing a quadrant section within the new proposed retail park in the Llanelli town centre. A typical quadrant space is approx 2000 square feet. The estimated rent is around £1500 per month, and £18,000.00 per year. All Utility bills including gas, electric etc are estimated to cost around £300 per quarter.

6.1 Estimated Sales

From the market and industry research figures provided by Allegra Strategies consultancy agency it is estimated that Coffee.Net will have an average of 300 customer per day. A typical small cup of coffee costs £1 and a large costs £1.50. An average customer drinks 1.5 cups per day with an average spend of £1.25. Through these figures it is estimated that Coffee.Net will retail Coffee at:

=£ 375 per day

=£10,500 per month

=£ 115,500 per year

From the 300 customer per day it is estimated that 150 customers will also purchase a pastry at £1.50 each. Through these figures it is estimated that Coffee.Net will retail pastries at:

=£225 per day

=£6,300.00 per month

= £69,300 per year

Coffee.Net estimates an additional 75 customers will purchase a juice or pop refreshment at 50p each. Through these figures it is estimated that Coffee.Net will retail juices and refreshments at:

=£ 37.50 per day

=£1,050.00 per month

=£ 11,550 per year

Coffee.Net will have 15 computer stations which will be charged £5 per hour. Coffee.Net will be open 91 hours a week, but the peak times for computer use will be between 11am-8pm. Through these figures it is estimated that Coffee.Net will retail computer services at:

=£600 per day

=£16,800.00 per month

=£ 184,800 per year

From all the revenues which Coffee.Net will retail it is estimated that in the first year of trade Coffee.Net gross profit will be:

=£ 474,200.00

6.2 Coffee.Net Twelve-Month Cash Flow

Twelve-Month Cash Flow
Coffee.Net

Fiscal Year Begins: Jan-08

	Pre-Startup EST	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total Item EST
Cash on Hand (beginning of month)	0	0	-62,400	-35,090	-7,780	19,230	46,540	73,850	100,860	128,170	155,480	182,490	209,800	237,110
CASH RECEIPTS														
Coffee Sales	0	0	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	115,500
Pastry Sales			6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	69,300
Juice Sales			1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	11,550
Computer Sales			16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	184,800
TOTAL CASH RECEIPTS	0	0	34,650	34,650	34,650	34,650	34,650	34,650	34,650	34,650	34,650	34,650	34,650	381,150
Total Cash Available (before cash out)	0	0	-27,750	-440	26,870	53,980	81,190	108,500	135,510	162,820	190,130	217,140	244,450	618,260
CASH PAID OUT														
Start-up costs		54,760		0	0	0	0	0	0	0	0	0	0	54,760
Rent		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Raw Material(coffee, teas, juices etc)		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Wages		3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	46,080
Utility bills		300	300	300	300	300	300	300	300	300	300	300	300	3,600
TOTAL CASH PAID OUT	0	62,400	7,340	7,340	7,340	7,340	7,340	7,340	7,340	7,340	7,340	7,340	7,340	87,600
Cash Position (end of month)	0	-62,400	-35,090	-7,780	19,230	46,540	73,850	100,860	128,170	155,480	182,490	209,800	237,110	474,220

6.3 Coffee.Net Profit And Loss Account

Profit And Loss Account Year 1

Coffee.Net

	2008	%
Sales	381,150	100.00%
		0.00%
Gross Profit	<u>381,150</u>	<u>100.00%</u>
Operating Expenses		
Start-up costs	54,760	14.37%
Rent	18,000	4.72%
Raw Material(coffee, teas, juices etc)	24,000	6.30%
Wages	46,080	12.09%
Utility bills	1,200	0.31%
Total Expenses	<u>144,040</u>	<u>37.79%</u>
Net Profit Before Tax	237,110	
Income Taxes	47,422	
Net Profit After Tax	189,688	
Owner Draw/ Dividends		
Adj. to Retained Earnings	<u>189,688</u>	

6.4 Break Even Analysis

The following is a break even analysis which is on the basis of average costs and prices which Coffee.Net will experience. With fixed costs in the first year of trade approximately £144,040, and approximately 300 customers a per day which works out around 109,200 a year, with an average spend of approximately £5.60 taking into account the businesses multiple revenues, the business would break even at £110,403 which by the cash flow would be between July and August 2008.

7.0 Conclusion

The proposed business was a coffee internet house called, Coffee.NET. Unlike any local café will be a internet coffee house for the local Llanelli community, where students, town business workers, and tourists can enjoy a relaxing, upscale environment to enjoy coffee, refreshments, snacks and browse the internet. The café will allow internet access at cost which the community can afford with an atmosphere which will spawn socialisation. The primary goal is to produce a coffee house of choice in the Llanelli town centre community. As the popularity of the internet continues to grow the aim of the café is to provide a relaxing, upscale environment with affordable, easy to access and quick access to the internet, along with enjoying a coffee, refreshment or snack. People from all backgrounds will enjoy the unique atmosphere which Coffee.Net will provide. The café will offer the local community a relaxing, upscale environment to enjoy coffee, refreshments, snacks and browse the internet. Coffee.Net will provide full internet access to the following:

- E-mail
- World Wide Web
- FTP
- Usenet
- Telnet

Coffee.Net will be aimed at and will appeal to the local communities students, town business workers, and tourists of all backgrounds and ages. The internet café will offer internet classes, which the staff will provide, which will draw audiences which do not associate with the computer age, such as the elderly and youngsters. The café will also provide the ideal location for the business workers who can access their coffee, snacks or refreshments along with their online needs outside the office. It was established that Coffee.Net start-up costs were £54,760. And from the market and industry research figures provided by Allegra Strategies consultancy agency it was estimated that the business would take £381,150 gross profit and after subtracting the costs which were £144,040 and tax expenses at 20% rate, the business was let with a net profit of £189, 688 at the end of year 1 of trading.

References

[1]Figure 1: Location map: Llanelli town centre, 12-14 Park Street

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[2]Figure 2: Espresso Menu [Online] Available at:

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[3]Figure 3: Flavoured Coffee Menu [Online] Available at:

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[Accessed] : 4/5/2008

[4]Figure 4: Flavoured Espresso Menu [Online] Available at:

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[5]Figure 5: Hot Drinks Menu [Online] Available at:

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[6]Figure 6: Smoothies Menu [Online] Available at:

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[7]Figure 7: Tea Menu [Online] Available at:
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[8]Figure 8: Juices Menu [Online] Available at:
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[9]Figure 9: Soft Drink Menu [Online] Available at:
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[10]Figure 10: Pastries & Snacks Menu [Online] Available at:
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[16] Figure 11: Industry analysis “Market growth graph” Cups Consumed per capita
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[17] The Working Time Regulations act: [Online] Available at: www.mas-northeast.co.uk/Humanresources.asp - 11k

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[18] The Sex Discrimination Act 1975 (Amendment) Regulations 2008 [Online]
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[Accessed] : 29/05/08

Appendix A

Appendix B

1.3 The Working Time Regulations

The main provisions of the Working Time Regulations are summarized below:

- (i) a maximum average working week of 48 hours, including overtime (calculated over a 17 week reference period);
- (ii) a limit of eight working hours, on average, per 24 hours for night workers* (calculated over a 17 week reference period), combined with the need for regular health screening;
- (iii) a rest break of at least 20 minutes after six consecutive hours' work;
- (iv) rest periods of at least 11 hours daily and 35 hours weekly; and
- (v) a minimum of 4.8 weeks' annual paid leave which needs to be taken during the leave year stipulated, and cannot be paid in lieu except where the worker's employment is terminated.

* Night workers are defined as those who work more than three hours during the period 11 p.m. to 6 a.m. on a regular basis. In order to be able to show compliance with the Working Time Regulations, the employer has a responsibility to keep up-to-date and accurate records for a minimum of two years. These records will need to be available for inspection, on request by the Health and Safety Executive, which is the body responsible for enforcing these Regulations. The following list outlines the key types of information that an employer is required to hold in order to comply with the Working Time Regulations:

- records of the working hours of all staff groups other than those which are classed as working 'unmeasured working time' (academic and academic-related staff, see Section 2; 'Exemptions and Derogations') or who have signed an individual 'opt out' agreement to work more than an average of 48 hours per week;
- a current list of night workers (those who work more than three hours between 11 p.m and 6 a.m. on a regular basis);
- evidence of the regular health assessments carried out for night workers; and
- records of any individual agreements that have been drawn up to extend an individual's weekly working hours over 48 hours. An amendment to the Regulations was made in December 1999 to relieve employers of the need to keep detailed records of working hours and annual leave for all individual employees. However, it is still important to monitor the hours of workers who appear to be close to the working time limit, and make sure they do not work too many hours. [17]

The Sex Discrimination Act 1975 (Amendment) Regulations 2008

Made

8th March 2008

Laid before Parliament

14th March 2008

Coming into force

6th April 2008

The Lord Privy Seal, who is a Minister designated for the purposes of section 2(2) of the European Communities Act 1972(1) in relation to discrimination(2), in exercise of the powers conferred by that section makes the following Regulations:

Citation, commencement, application, extent and interpretation

1.—(1) These Regulations may be cited as the Sex Discrimination Act 1975 (Amendment) Regulations 2008.

(2) These Regulations shall come into force on 6th April 2008.

(3) The amendments made by regulation 5 apply only in relation to a case where a woman's expected week of childbirth as defined in regulation 2(1) of the Maternity and Parental Leave etc. Regulations 1999(3) (interpretation) begins on or after 5th October 2008.

(4) These Regulations do not extend to Northern Ireland.

(5) In these Regulations "the 1975 Act" means the Sex Discrimination Act 1975(4).

Discrimination on the ground of pregnancy or maternity leave

2.—(1) Section 3A of the 1975 Act(5) is amended as follows.

(2) In subsection (1)(a) (definition of discrimination on the ground of pregnancy), omit the words "than he would treat her had she not become pregnant".

(3) In subsection (1)(b) (definition of discrimination on the ground of maternity leave), omit the words "than he would treat her if she were neither exercising nor seeking to exercise, and had neither exercised nor sought to exercise, such a right".

(4) In subsection (2) (definition of discrimination on the ground of compulsory maternity leave), omit the words following "less favourably".

Harassment

3. In the 1975 Act, in section 4A(1)(a)(6) (definition of harassment), for "on the ground of her sex, he engages in unwanted conduct that" substitute "he engages in unwanted conduct that is related to her sex or that of another person and".

Liability of employers for failing to protect employees from third party harassment

4. In the 1975 Act, after section 6(2A)(7) (unlawful harassment) insert—

"(2B) For the purposes of subsection (2A), the circumstances in which an employer is to be treated as subjecting a woman to harassment shall include those where—

(a) a third party subjects the woman to harassment in the course of her employment, and

(b) the employer has failed to take such steps as would have been reasonably practicable to prevent the third party from doing so.

(2C) Subsection (2B) does not apply unless the employer knows that the woman has been subject to harassment in the course of her employment on at least two other occasions by a third party.

(2D) In subsections (2B) and (2C), "third party" means a person other than—

(a) the employer, or

(b) a person whom the employer employs,

and for the purposes of those subsections it is immaterial whether the third party is the same or a different person on each occasion.”.

Exception relating to terms and conditions during maternity leave

5.—(1) For section 6A of the 1975 Act(s) (exception relating to terms and conditions during maternity leave) substitute—

“Exception relating to terms and conditions during maternity leave

6A.—(1) Subject to subsection (2), section 6(1)(b) and (2) does not make it unlawful to deprive a woman who is on maternity leave of any benefit from the terms and conditions of her employment relating to remuneration.

(2) The reference in subsection (1) to benefit from the terms and conditions of a woman’s employment relating to remuneration does not include a reference to—

- (a) maternity-related remuneration (including maternity-related remuneration that is increase-related),
- (b) remuneration (including increase-related remuneration) in respect of times when the woman is not on maternity leave, or
- (c) remuneration by way of bonus in respect of times when a woman is on compulsory maternity leave.

(3) For the purposes of subsection (2), remuneration is increase-related so far as it falls to be calculated by reference to increases in remuneration that the woman would have received had she not been on maternity leave.

(4) In this section—

“maternity-related remuneration”, in relation to a woman, means remuneration to which she is entitled as a result of being pregnant or being on maternity leave;

“on compulsory maternity leave” means absent from work in consequence of the prohibition in section 72(1) of the Employment Rights Act 1996;

“on maternity leave” means—

- (a) on compulsory maternity leave,
- (b) absent from work in exercise of the right conferred by section 71(1) of the Employment Rights Act 1996 (ordinary maternity leave), or
- (c) absent from work in exercise of the right conferred by section 73(1) of that Act (additional maternity leave); and

“remuneration” means benefits—

- (a) that consist of the payment of money to an employee by way of wages or salary, and
- (b) that are not benefits whose provision is regulated by the employee’s contract of employment.”.

Signed by authority of the Lord Privy Seal

Barbara Follett
Parliamentary Secretary
Government Equalities Office

[18]

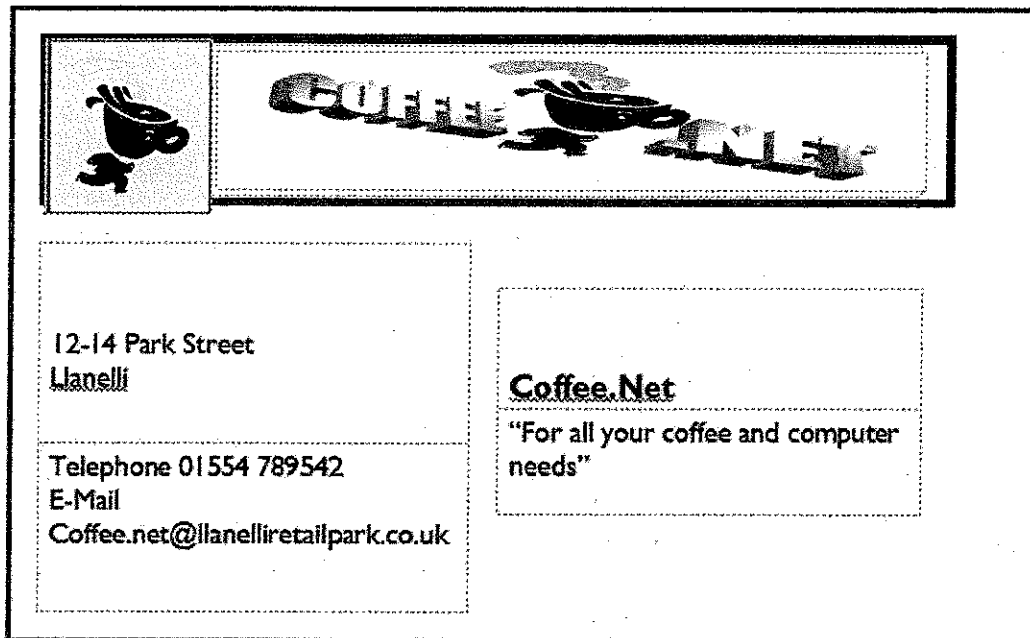
The following acts will also be taken into consideration:

- SALE OF GOODS ACT 1979
- The Disability Discrimination Act 1995
- Data Protection Act 1998

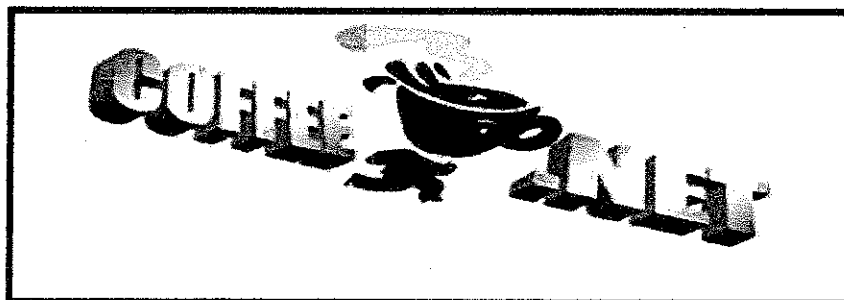
Appendix C

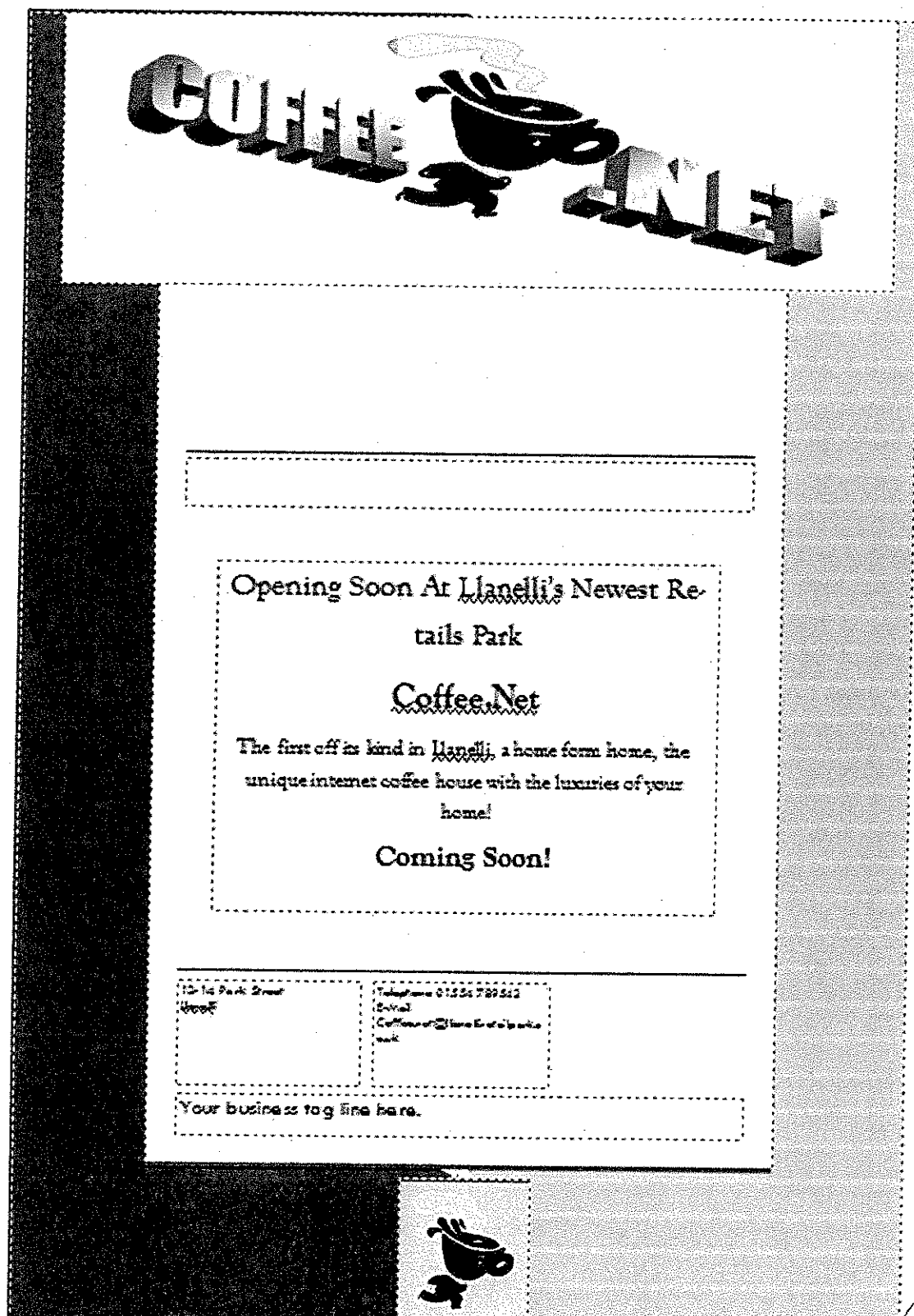
Promotional Media

Coffee.Net Business Cards



Coffee.Net Logo / Front Sign & Hanging signs







By Daniel Price
Kate Kingdon
Steven Rees

Introduction

Coffee.Net unlike any local café will be a internet coffee house for the local Llanelli community, where students, town business workers, and tourists can enjoy a relaxing, upscale environment to enjoy coffee, refreshments, snacks and browse the internet. The café will allow internet access at cost which the community can afford with an atmosphere which will spawn socialisation.

Mission Statement

The primary goal is to produce a coffee house of choice in the Llanelli town centre community. As the popularity of the internet continues to grow the aim of the café is to provide a relaxing, upscale environment with affordable, easy to access and quick access to the internet, along with enjoying a coffee, refreshment or snack. People from all backgrounds will enjoy the unique atmosphere which Coffee.Net will provide.

Company Summary

Coffee.Net will soon be located in the Llanelli town centre retail park. The café will offer the local community a relaxing, upscale environment to enjoy coffee, refreshments, snacks and browse the internet. Coffee.Net will provide full internet access to the following:

- > E-mail
- > World Wide Web
- > FTP
- > Usenet
- > Telnet

Coffee.Net will be aimed at and will appeal to the local communities students, town business workers, and tourists of all backgrounds and ages.

Objectives

Coffee.Net's objectives for the first three years of operation would be:

- > Create a unique, upscale environment which will differentiate Coffee.NET from other local café's
- > Provide affordable, easy to access and quick access to the internet
- > Good selection of coffee at reasonable affordable prices
- > Good selection of refreshments at affordable prices
- > Good selection of Snacks at affordable prices

Keys To Success

The keys to success for Coffee.NET will be:

- > Create a unique relaxing interior design to produce a relaxing atmosphere to differentiate from local competitors
- > Selection of a prime site where the towns working population is greater
- > Good aggressive marketing strategy
- > Multiply revenue streams:
 - Coffee
 - Refreshments
 - Snacks
 - Pastries
 - Tea
 - Juice
 - Gift cards
- > Staff with good customer service skills
- > Provide affordable, easy to access and quick access to the internet

Risks

The possible risks involved with the start up of Coffee.Net are:

- > Will individuals be willing to pay for internet access services?
- > Will the popularity of the internet continue to grow?
- > Will there be a demand for the services offered by Coffee.Net?
- > Will there be a need for a new cafe within the local community?

All of these risks will be overcome by our key's to success. Why? Because Coffee.Net Will be Unique To The Community.

Start-Up Costs Breakdown

The Coffee.Net start up costs will cover all equipment required for the customer's online activities, snacks and refreshments equipment, coffee making equipment, renovation and modifications, and also capital to cover losses in the first year. The online equipment necessary for the customer's online activities, such as high speed connections to internet services will take a large portion of the start up costs.

*Total Long Term Assets £80,700.00

*Total Renovation Costs £86,500.00

*Total Legal Costs £8,000.00

*Total Marketing £8,000.00

*Total Office Supplies £5,000.00

*Total Appliances £9,850.00

Total Start-up Expenses £199,050.00

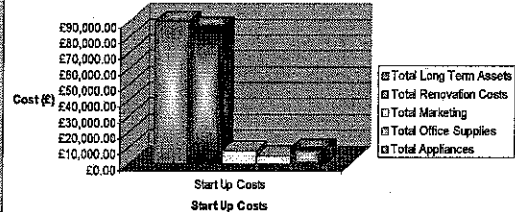
*Fifty Cash £500.00

*Start Up Stock £10,000.00

Total Start-Up Requirements £219,550.00

Start-Up Costs

Start Up Costs Break Down



SWOT - Strengths, Weaknesses, Opportunities, Threats

Strengths

- *Unique, spacious environment
- *Providing affordable, easy and quick access to the internet
- *Good selection of coffee, refreshments and snacks at affordable prices
- *Differentiate from local competitors
- *Selection of a prime site
- *Good aggressive marketing strategy
- *Multiple revenue streams
- *Staff with good customer service skills

Opportunities

- *Growing population of daily internet users

Weaknesses

- *Risky changing technology
- *Cost factor

Threats

- *Rapidly falling cost of internet access
- *Emerging local competitors

Marketing Mix

Product

- *Coffee, internet, refreshments, snacks
- *Value sales service: loyalty coupons for returning customers

Promotion

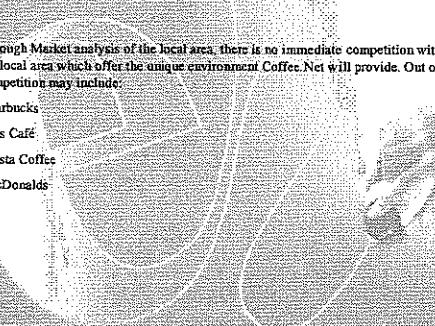
- *Advertise services in local news paper, on local radio station, distributing leaflets
- *Launch promotions

Price

- *Incentives: Student Deals, loyalty benefits
- *Cheaper than local competition, giving the customers value for money

Place

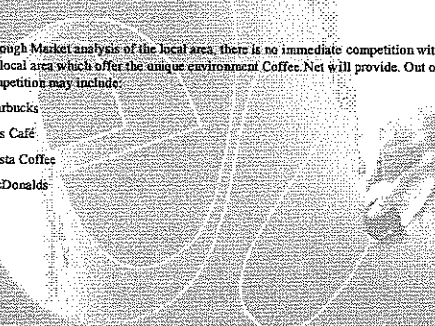
- *Easy access for logistics
- *Located middle of town centre, prime location to attract customers



Competition

Through Market analysis of the local area, there is no immediate competition within the local area which offer the unique environment Coffee Net will provide. Out of town competition may include:

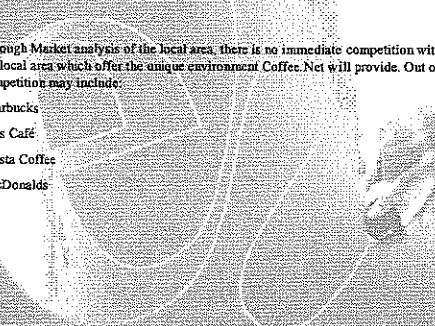
- Starbucks
- Bhs Cafe
- Costa Coffee
- McDonalds



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Location

Llanelli town centre retail park

- Lays within the local population
- Prime location for business employee's
- Prime location for shoppers
- Prime location for passing students

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Financial Plan

Sources of finance

- *We are investing equal amounts of money into the business.
- *Also we have a private investor making up the final amount that is needed to start up the business.

Financial Plan

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- # Financial Plan
- Sources of finance
- *We are investing equal amounts of money into the business.
 - *Also we have a private investor making up the final amount that is needed to start up the business.

Financial Plan

12 Months – Cash Flow

Cash Flow for month 12 Months	1	2	3	4	5	6	7	8	9	10	11	12	Total
Revenue													
Retail Summer Sales	12,000	17,000	17,500	18,000	18,500	19,000	19,500	20,000	20,500	21,000	21,500	22,000	210,000
Coffee Sales	4,000	4,000	3,500	3,000	3,000	27,000	33,000	33,000	33,000	33,000	33,000	33,000	330,000
Pizzeria Sales	3,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	45,000
Juice Sales	800	3,000	3,000	3,100	3,100	3,100	3,200	3,200	3,200	3,200	3,200	3,300	35,700
Total Revenue (R)	33,800	38,500	38,500	38,600	39,100	64,100	80,200	80,200	81,200	82,200	82,200	83,000	873,700
Expenses													
Supplies	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Pizzeria Staffing, Salaries, Rent, etc.	3,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	40,500
Staff	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
Rent	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Marketing	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Total Expenses (E)	16,900	21,100	21,100	21,200	21,200	21,200	21,200	21,200	21,200	21,200	21,200	21,300	219,900
Total Cash Flow (R-E)	16,900	17,400	17,500	17,600	17,600	42,900	59,000	59,000	60,200	61,000	61,000	61,700	653,800
Operating Cash Flow	10,500	11,000	11,000	11,000	11,000	24,100	33,000	33,000	33,000	33,000	33,000	33,000	330,000
Change in Cash	6,400	6,400	6,500	6,600	6,600	18,800	26,000	26,000	27,200	28,000	28,000	28,700	323,800

Financial Plan

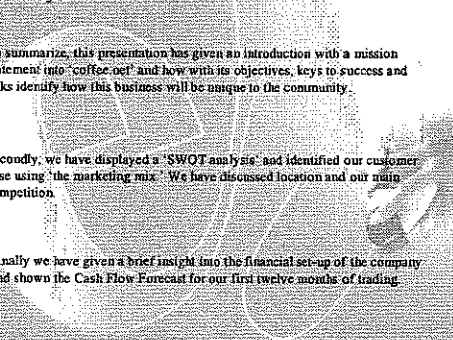
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Rent	600	600	600	600	600	600	600	600	600	600	600	600	7,200
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Financial Plan

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Total Cash Flow (R-E)	16,900	17,400	17,500	17,600	17,600	42,900	59,000	59,000	60,200	61,000	61,000	61,700	653,800
Operating Cash Flow	10,500	11,000	11,000	11,000	11,000	24,100	33,000	33,000	33,000	33,000	33,000	33,000	330,000
Change in Cash	6,400	6,400	6,500	6,600	6,600	18,800	26,000	26,000	27,200	28,000	28,000	28,700	323,800

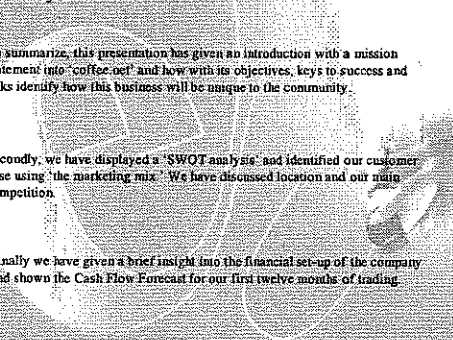


Summary

To summarize, this presentation has given an introduction with a mission statement into 'coffee net' and how with its objectives, keys to success and risks identify how this business will be unique to the community.

Secondly, we have displayed a 'SWOT analysis' and identified our customer base using 'the marketing mix'. We have discussed location and our main competition.

Finally we have given a brief insight into the financial set-up of the company and shown the Cash Flow Forecast for our first twelve months of trading.

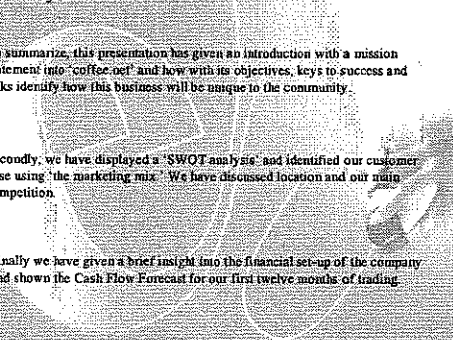


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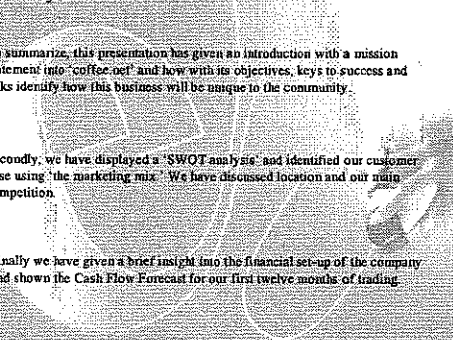


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Thank You For Listening

Any Questions ?